

Aylesford School

and Sixth Form College



wonder aspiration respect discipline

RESERVES AND INVESTMENT POLICY

Written/Updated: October 2019
Review Date: October 2020
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Via: Finance and Premises

'from potential to reality'

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Reserves and Investment Policy

Reserves

The Directors of Aylesford School and Sixth Form College plan for, manage and maintain an adequate level of financial reserves to meet the needs and identified risks of the organisation. The purpose of this policy is to set out how the school will determine and review the level of fund reserves, for what purposes funds will be maintained and policy for investment of these funds.

Academy reserves may be held for two main reasons: As a contingency against financial risks and security and to meet planned commitments in future years.

Reserves can be split into two distinct categories:

General Reserves

A working balance (carry forward) held to offset the effect of uneven cash flows or a contingency held to cushion the impact of unexpected events, e.g. pay inflation higher than budgeted, reduction in bank interest, shortfall in grant income.

Earmarked Reserves

Held for specific purposes to meet known or predicted requirements. Examples will include:-

- Equipment or Infrastructure Renewals – to enable the school to plan and finance an effective programme of equipment renewal, e.g. ICT, minibus
- Capital Programmes which may span over a financial year, or reserves carried forward for a large capital project
- Asset Management
- Reduction/increase in cohort numbers either in year or prior to funds being received, e.g. before or after school census or additions in year
- Unexpected personnel cost, that is. long term absence outside of the annual insurance policy terms and conditions (e.g. suspension from duty)
- Other earmarked reserves will be set up from time to time to meet known or predicted liabilities or to meet capital or project based revenue expenditure

Planned or known expenditure from reserves can only be authorised by the Headteacher.

Unplanned release of funds can only be actioned after agreement by the Finance and Premises Committee or in conjunction with the Chair or Vice Chair of the governing body if it relates to an emergency between planned governing body meetings.

As a general guide the level of reserves held will equate to no less than 4% and no more than 15% of the annual budget.

As a guide a minimum balance of £150,000 should be maintained at all times.

Contingency and Reserve Schedule

A schedule of possible contingency need and associated values shall be prepared annually by the Headteacher and Finance Manager and presented to the Finance and Premises Committee to coincide with the budget setting meeting in June each year.

Investment and Cash Flow

The Finance Manager is responsible for monitoring cash flow forecasts to ensure the Academy has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps will be taken to invest the extra funds discussed and agreed at the October Finance and Premises meeting each year. The value of these balances should equate to all or most of the reserve funds.

Investment balances should be held in no risk, fixed term interest bearing bank accounts.

The Governors delegate the responsibility of identifying such accounts and values to be invested to the Head teacher and Finance Manager.

This will maximise the income potential (opportunity cost) of funds held in reserve. Interest gained should be identified in the budget.

Monitoring of Reserves

The level of reserves and balances will be monitored termly and details notified to the governing body. The actual level of reserve will be included in the year end annual accounts statement.